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CENTRAL INTELLIGENCE AGENCY



DIRECTORATE OF INTELLIGENCE

The Illicit Enrichment of Vladimiro Montesinos [redacted]

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CIAOTI [redacted] IA 2001-040X [redacted]



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APPROVED FOR RELEASE
DATE: FEB 2004

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Intelligence Report

Office of Transnational Issues

The Illicit Enrichment of Vladimiro Montesinos

A Research Paper

This assessment was prepared by the Office of Transnational Issues, with contributions from the Office of Asian Pacific and Latin American Analysis.

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June 2001

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The Illicit Enrichment of Vladimiro Montesinos

Key Findings

Information available
as of June 2001
was used in this report.

[redacted] Vladimiro Montesinos-Torres, former Peruvian National Security Adviser and de facto head of the National Intelligence Service, maintained a global network of bank accounts and front companies to move and hide ill-gotten assets since the mid-1990s.

[redacted]

These funds largely came from illicit sources. Montesinos generated [redacted] revenue from payments from drug traffickers, defense contract kickbacks, embezzlement of public funds, money laundering, Peru's privatization process, and fees to "fix" various legal matters for his associates, [redacted]

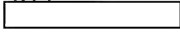
The scale of Montesinos' theft has prompted Peru to adopt several US-proposed anti-money laundering measures. Nonetheless, past US association with Montesinos has hurt US credibility on democracy, judicial reform, and counterdrug efforts in Peru, and might fuel bilateral tensions in future disputes. Nationalists in Peru's new government—set to take power in July—may withhold support for some counterdrug programs if they perceive that the United States has not done enough to bring Montesinos to justice. [redacted]

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June 2001

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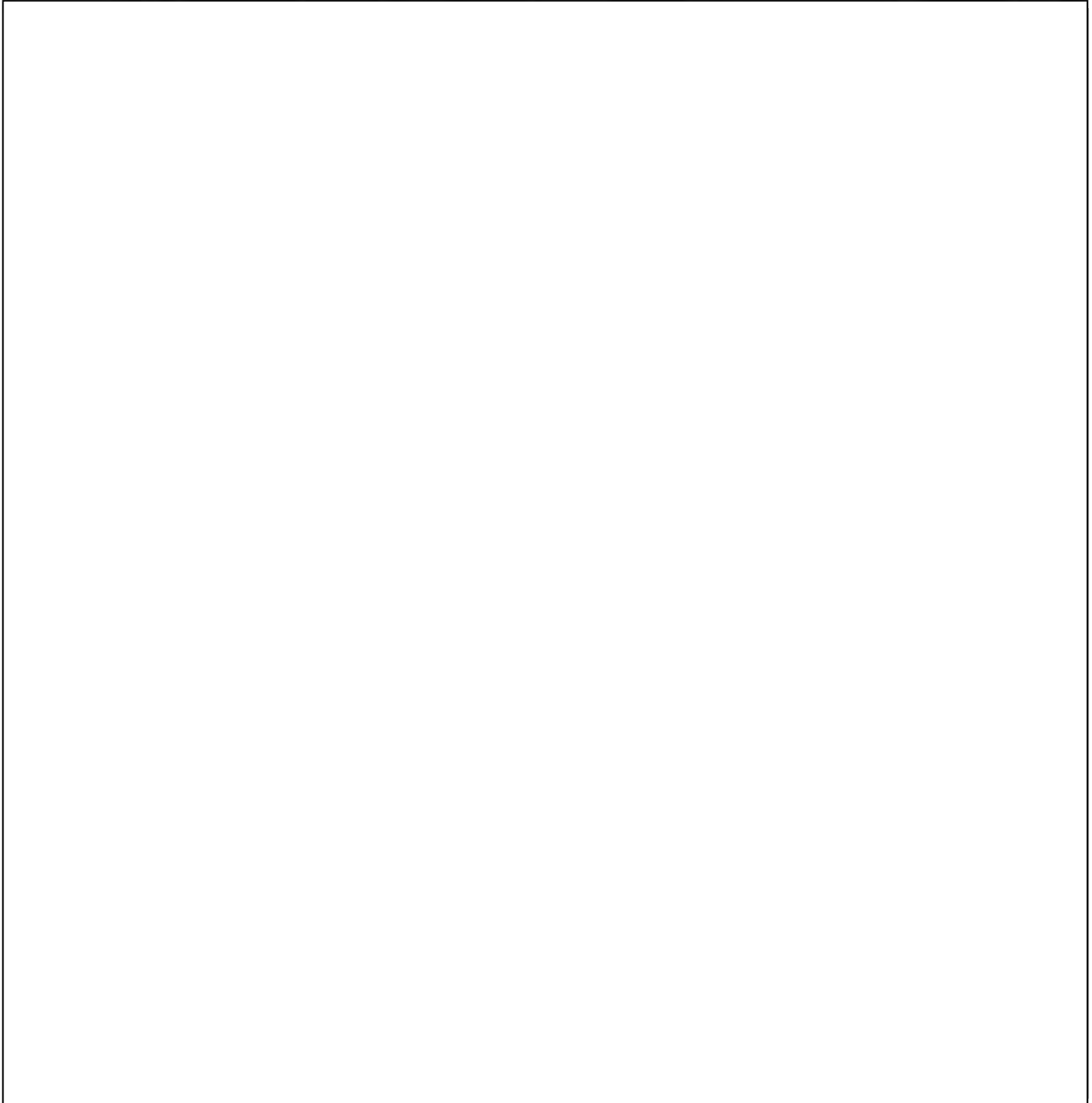
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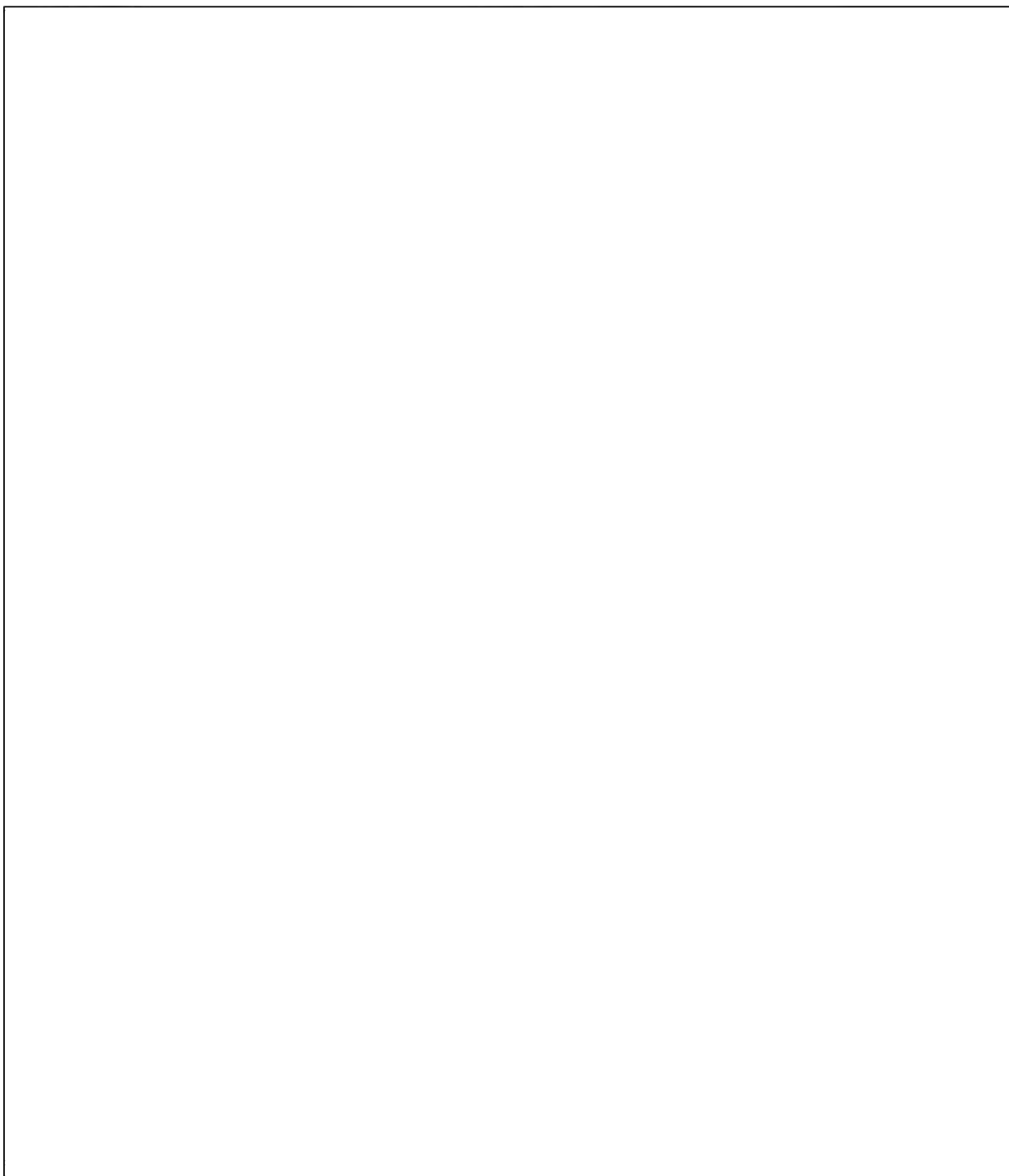
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**Illicit Enrichment of Vladimiro
Montesinos**



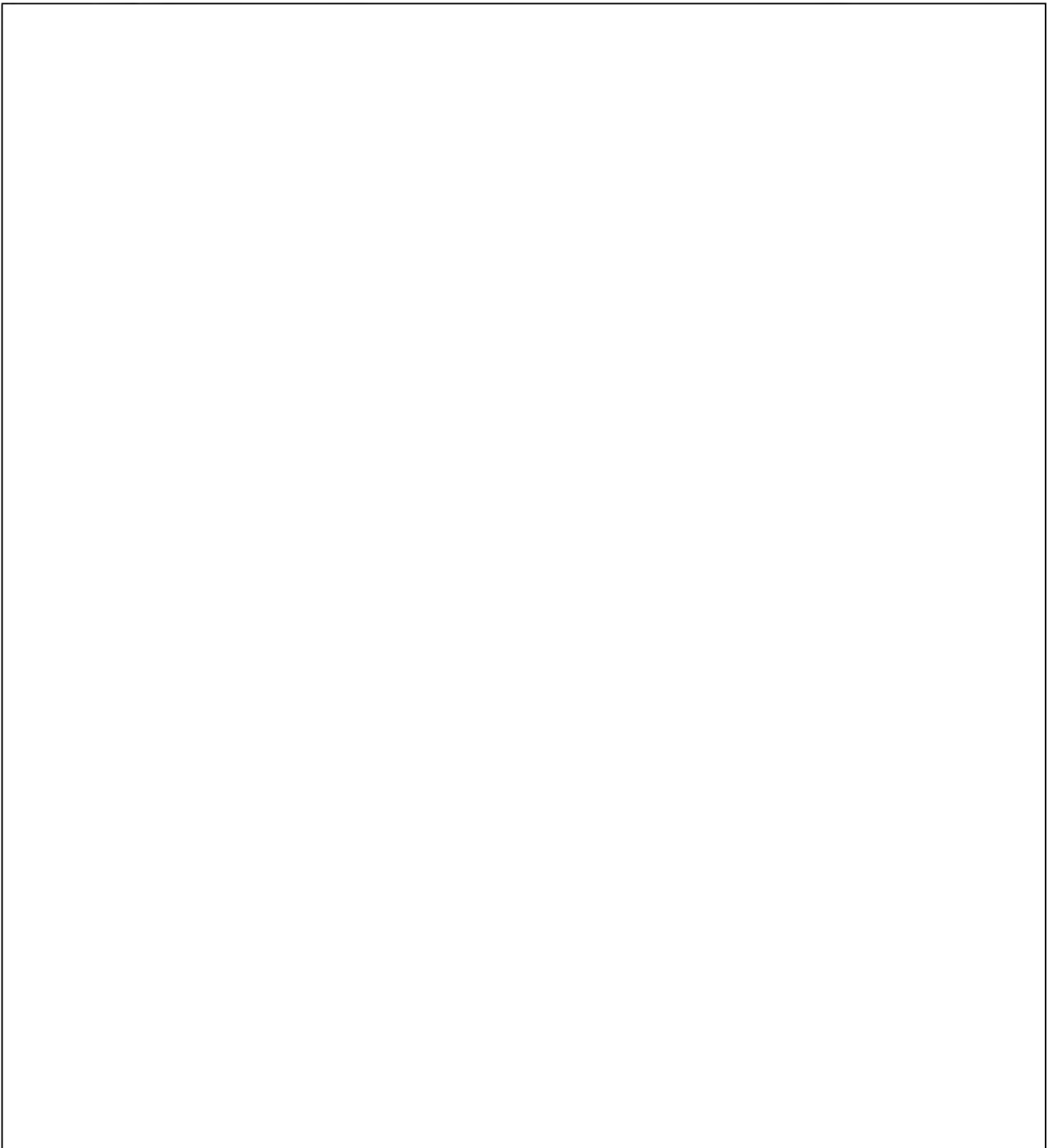
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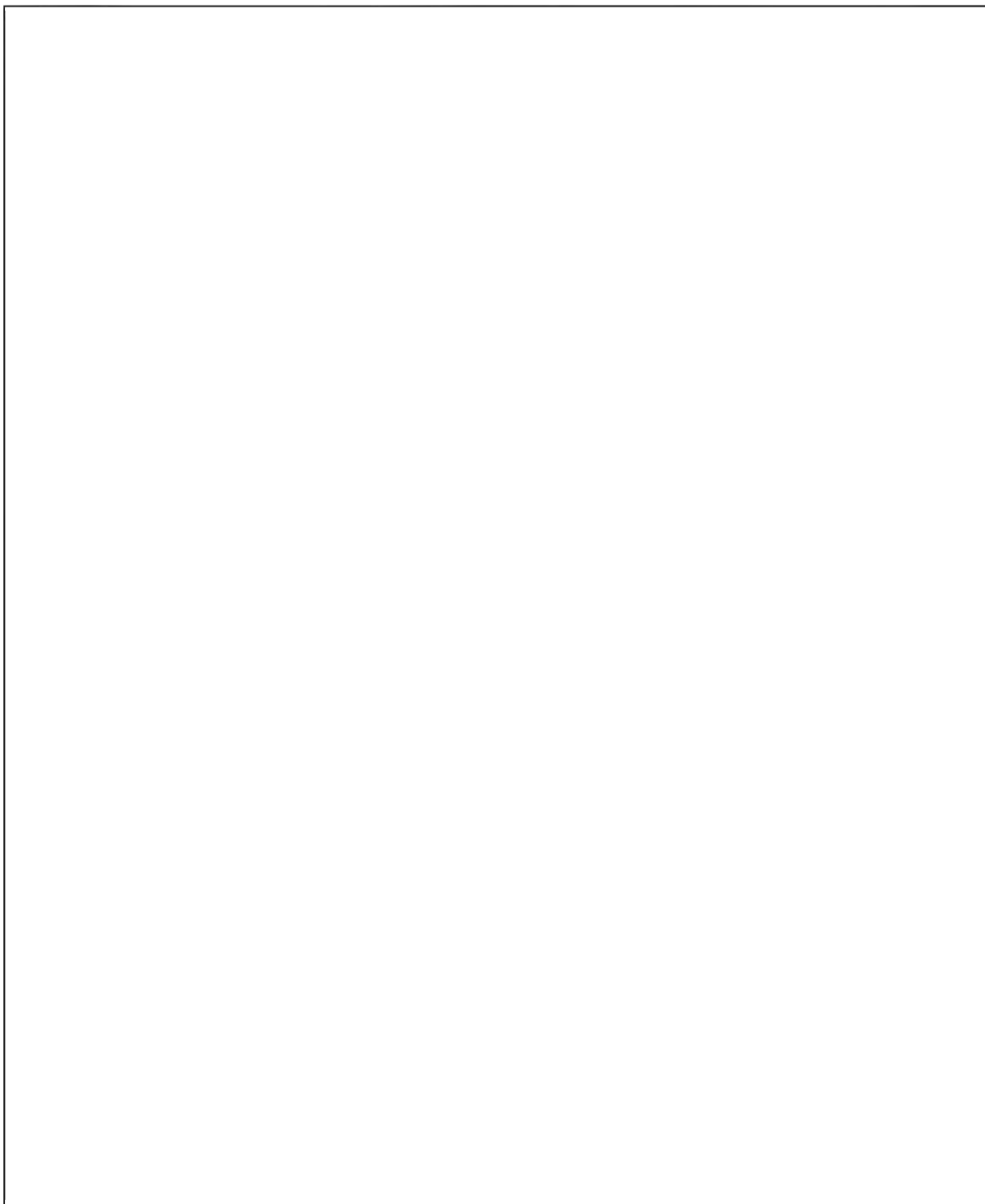
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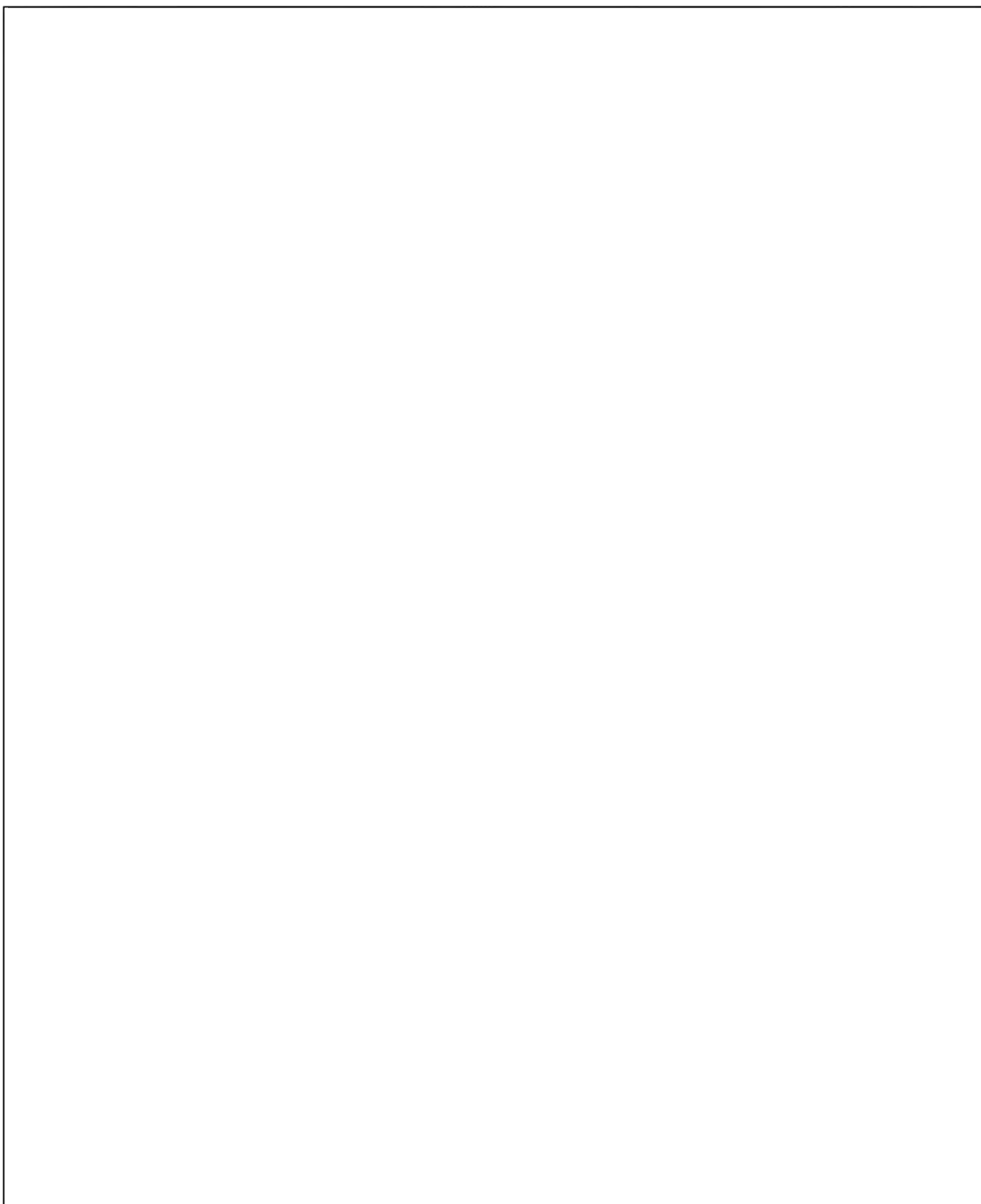
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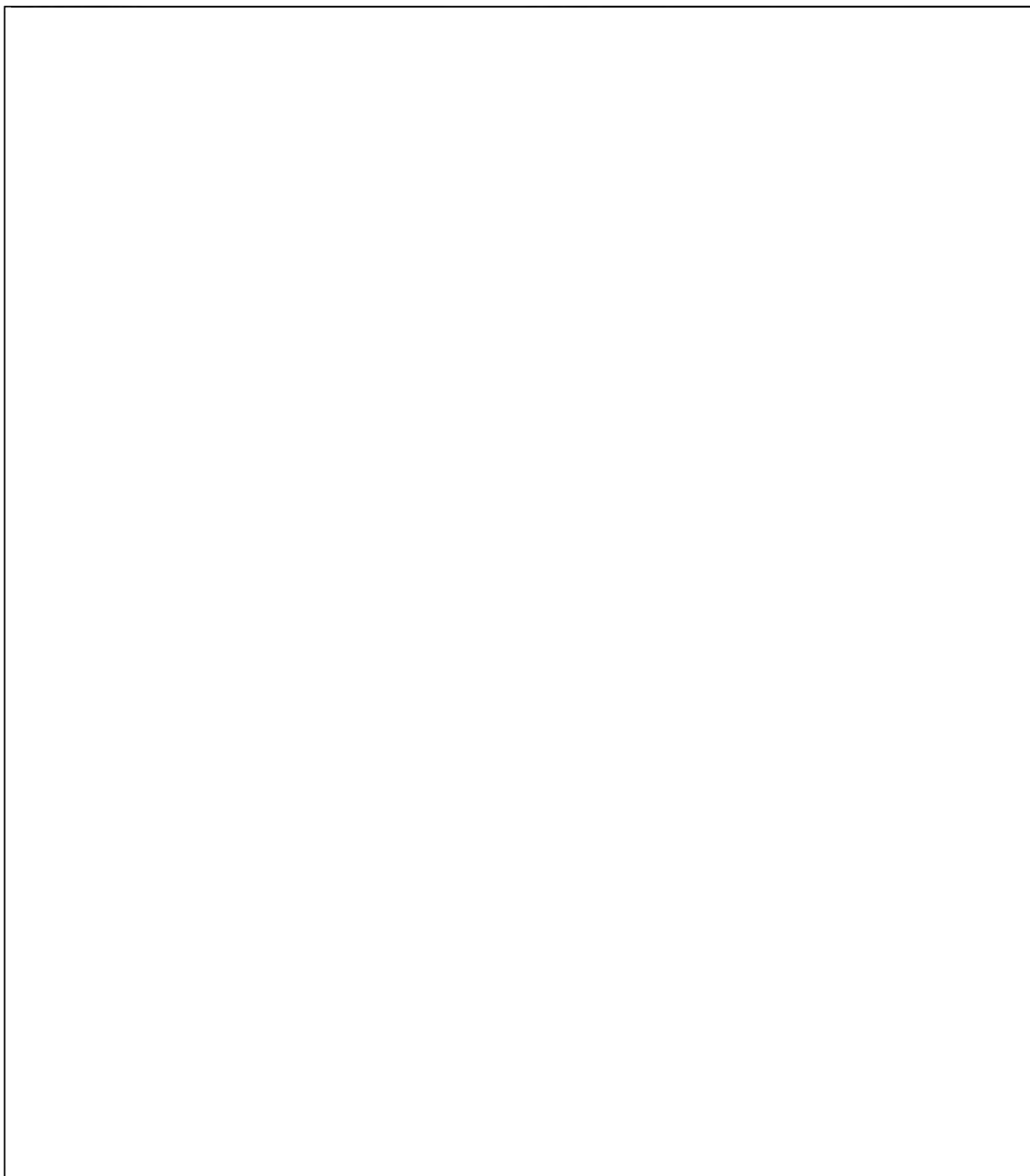
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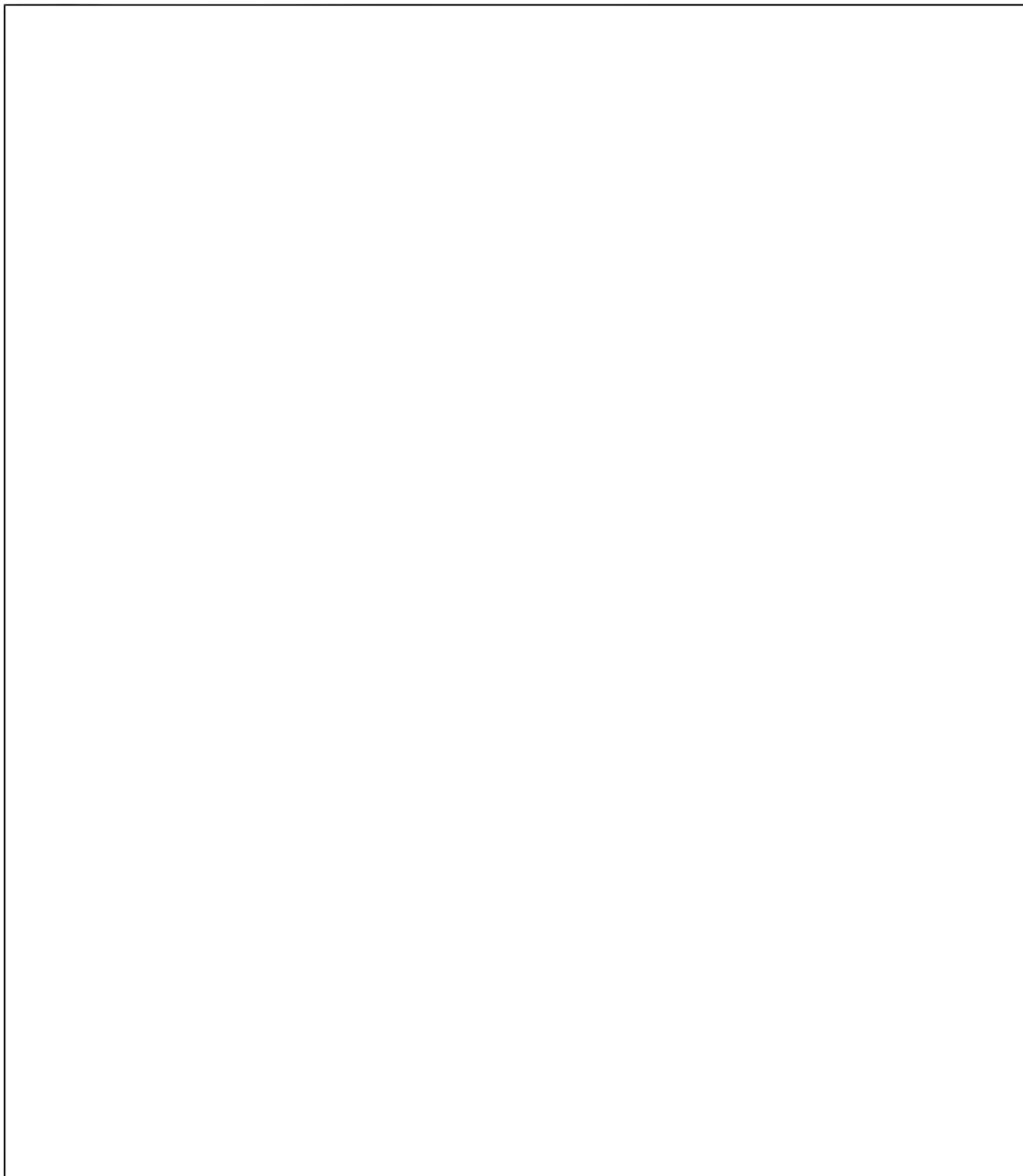
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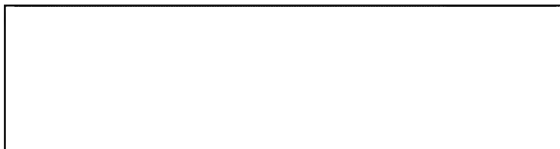
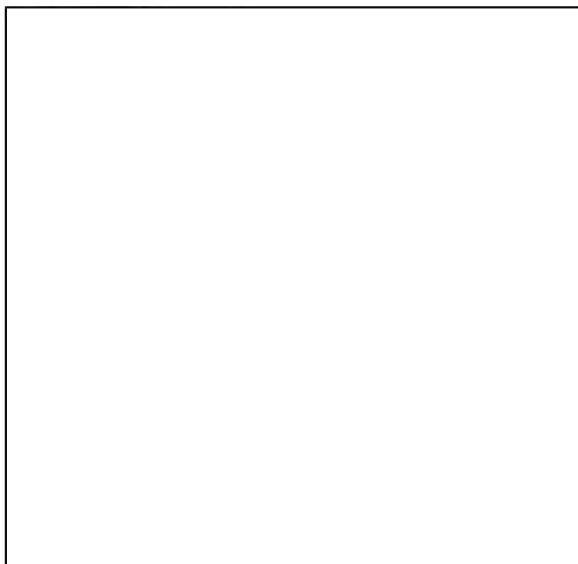
Defense Contract Kickbacks

Montesinos allegedly received millions in kickbacks for spearheading Peru's purchase of 18 used MiG-29 fighters and 14 Su-25 attack aircraft from Belarus for \$402 million in 1996. According to the testimony before Peruvian authorities of Montesinos crony Carlos Venero, Peru spent \$20 million for each MiG-29 fighter, when the actual cost for each was \$5 million. Montesinos retained \$15 million for each aircraft, or a total of \$270 million. Despite the high price, the MiGs had an extremely low operational rate. [REDACTED]

[REDACTED] Ironically, one MiG crashed in front of congressional investigators in March 2001. [REDACTED]

Montesinos' kickbacks from the purchase were deposited into a Panamanian bank, probably Banco Exterior, by two firms that acted as the middlemen in the deal—the Bahamas-registered firm Treves Intora and W-21 Intertechnique, a consortium of Peruvian arms dealers—according to press reports. In March 2001, a Peruvian delegation traveled to Panama to request the freezing of bank accounts associated with the MiG-29 deal.

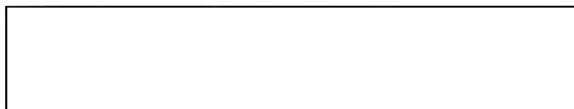
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- Credible information indicates that Intora drew upon extensive high-level contacts within the Peruvian Government—probably Montesinos—to outmaneuver another well-connected Peruvian firm and win the deal. [redacted]

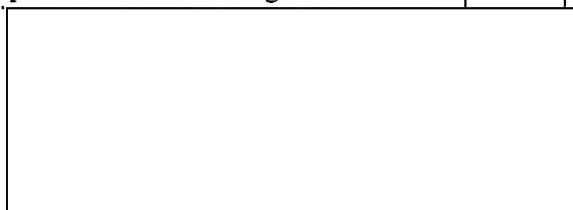
After the purchase, \$30 million was taken in 1998 from Peru's privatization fund—and ultimately transferred to a bank in Panama—to repair the dilapidated MiGs.

- In April 2001, the Peruvian legislative commission investigating the misuse of privatization proceeds discovered that \$30 million in privatization funds had been transferred to Swiss Bank Corporation and accounts at US banks in Florida and New York, according to press reports. The funds ultimately were deposited by Treves Intora at Banco Exterior



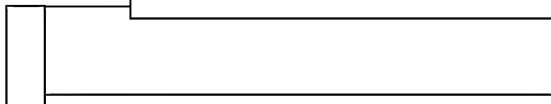
in Panama. The numerous transfers suggest that Peruvian authorities involved in the deal were attempting to conceal the origin of the funds that probably were not spent on repairs. [redacted]

Montesinos [redacted] retaliated against those who opposed the MiG-29 purchase, indicating that he had a personal interest in seeing the deal succeed. [redacted]

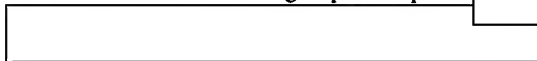


Montesinos also allegedly received between \$22 million and \$48 million in kickbacks from Peru's January 1999 purchase of three MiG-29s from the Russian state-owned arms company Rosvoorouzhenie for \$117 million, according to press reports. The contract included repair parts, services, and a technical assistance agreement to support the MiGs acquired in 1996 and 1999.

- The kickbacks were deposited on behalf of Montesinos into five Swiss bank accounts by [redacted] a Peruvian-born arms dealer and close Montesinos associate who served as the middleman for the purchase. Swiss authorities froze the five accounts at [redacted]

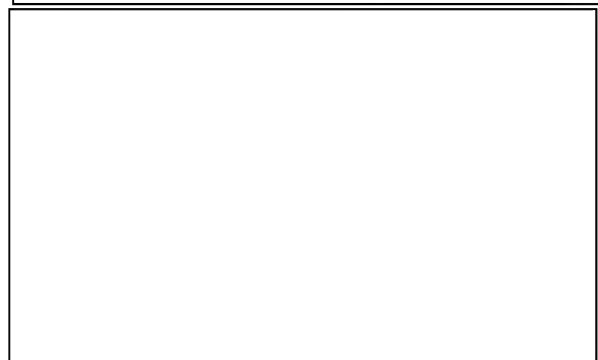
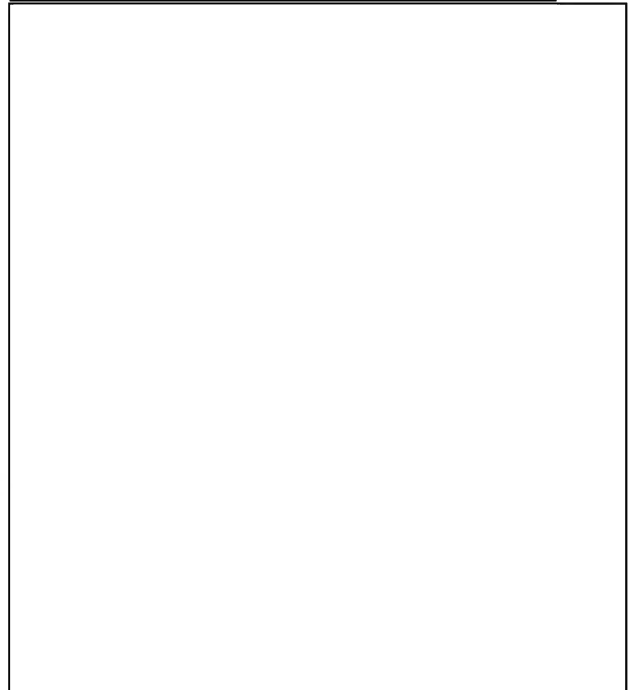
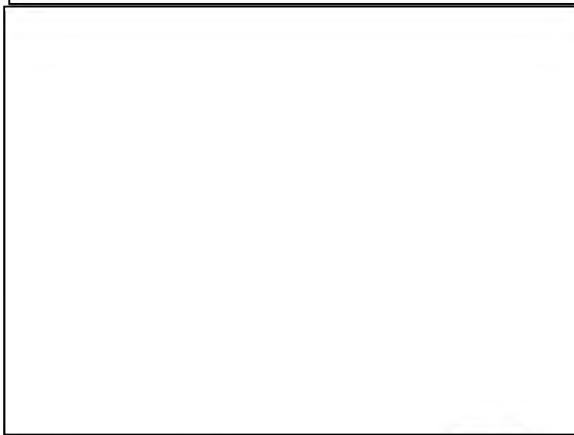
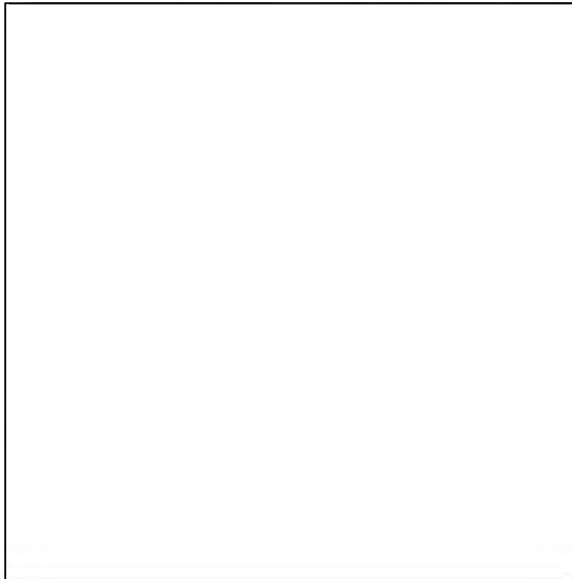


In March 2001 testimony before the Waisman Commission, Victor Alberto Venero Garrido revealed that he paid approximately \$35 million to Montesinos as commissions so that his companies would win bids on various projects and for purchasing equipment for the armed forces, according to press reports. [redacted]



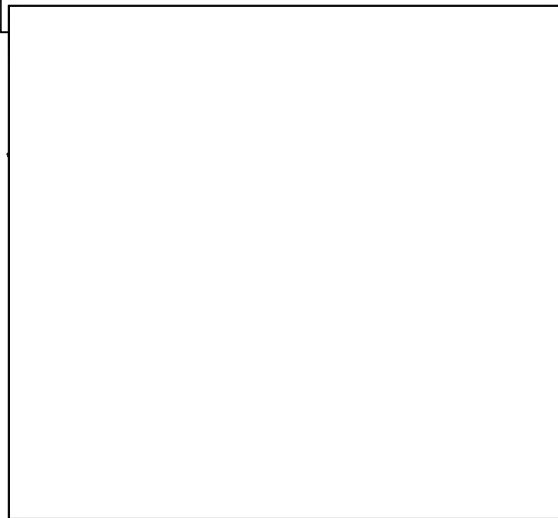
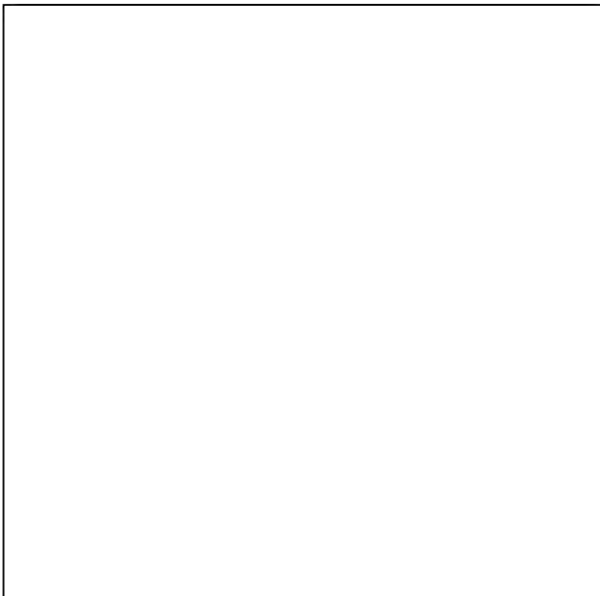
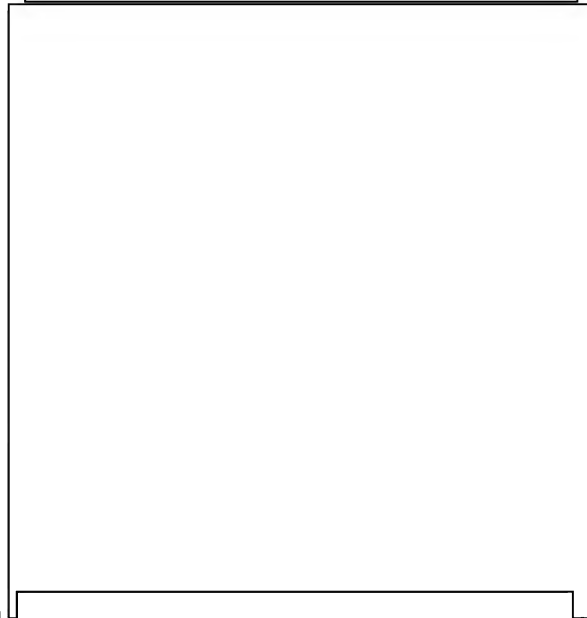
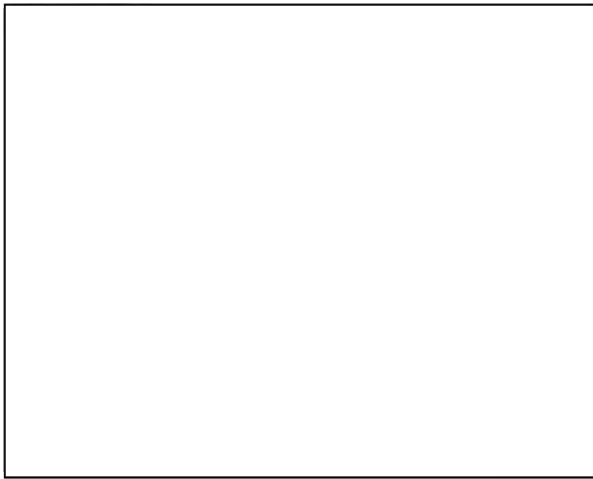
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The Fall of Montesinos



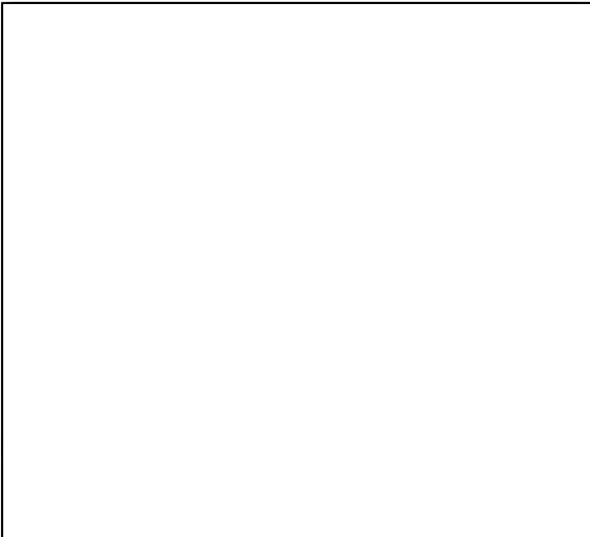
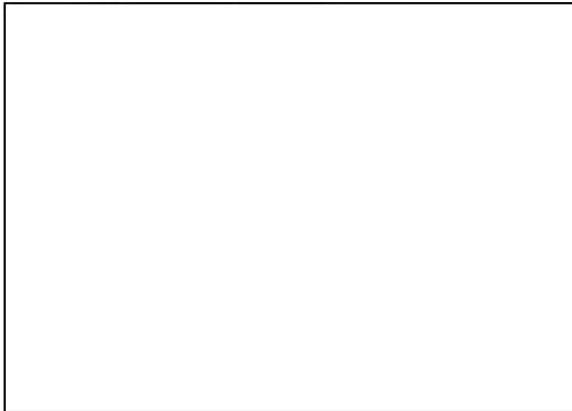
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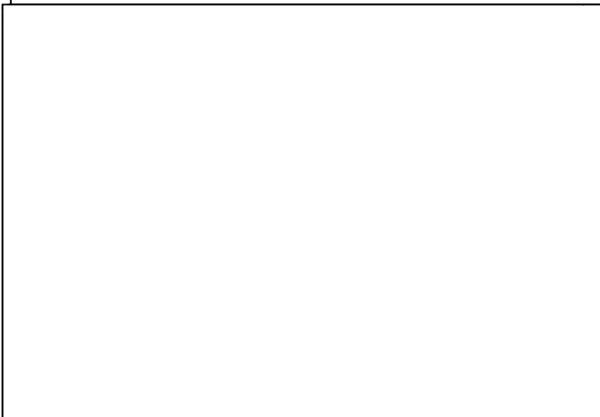
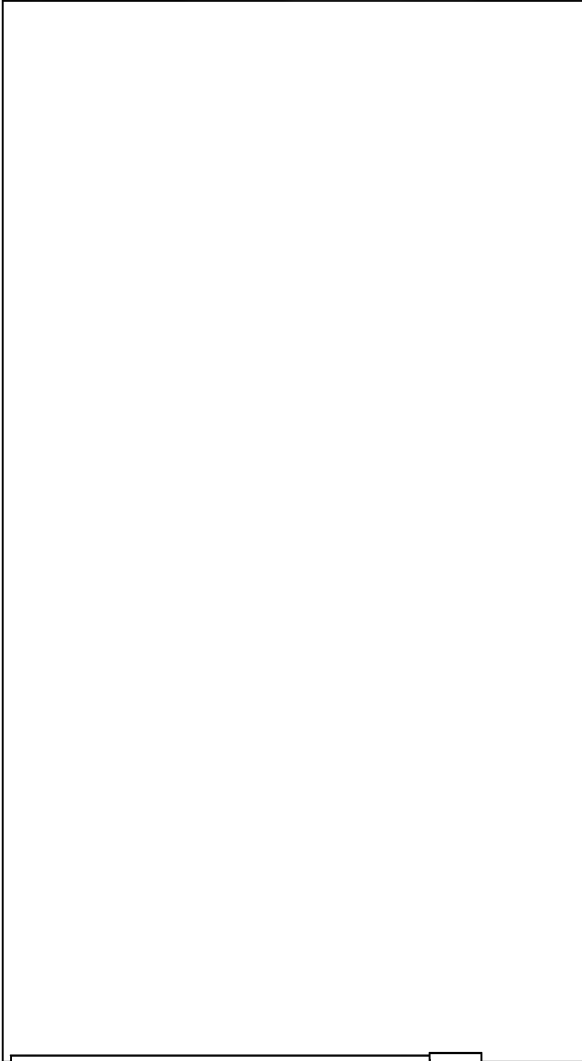
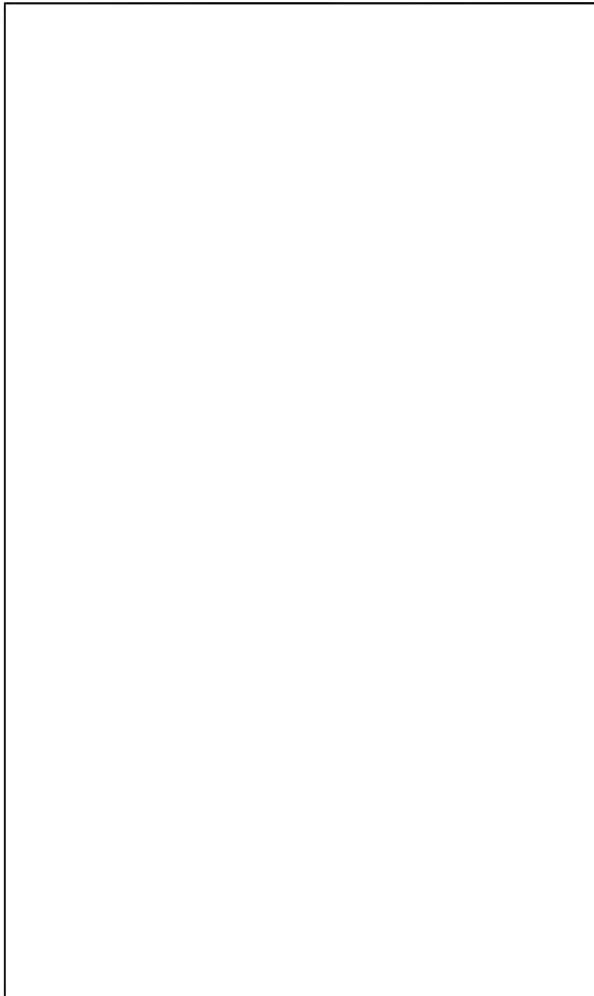
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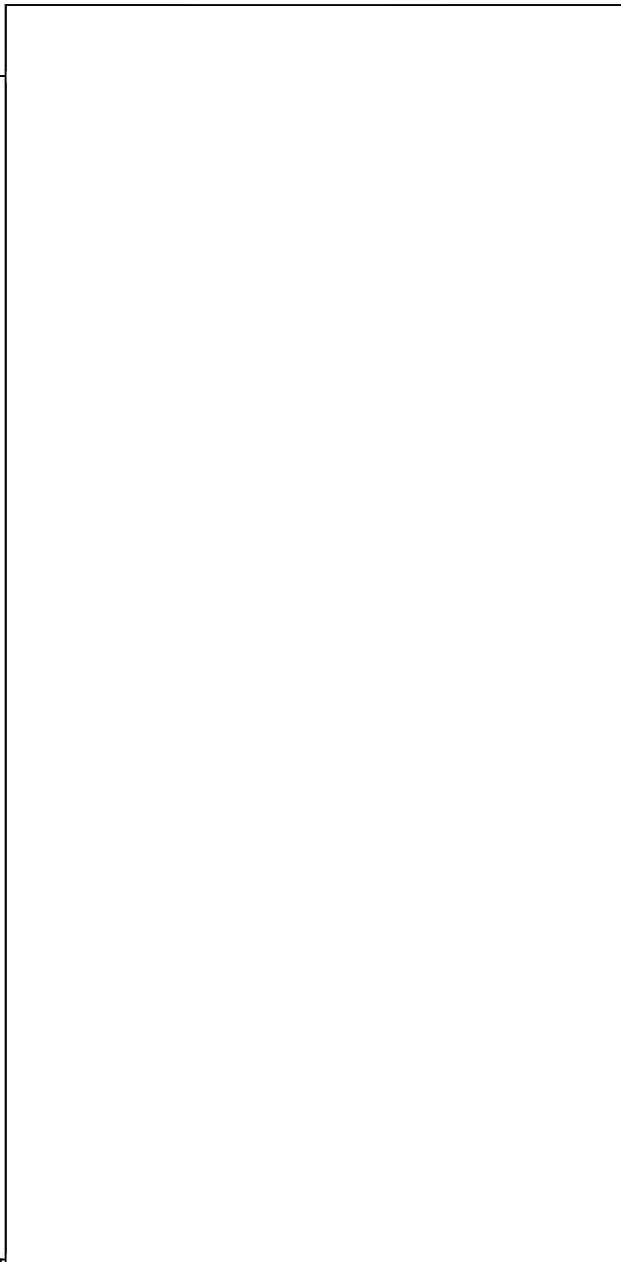
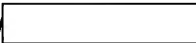
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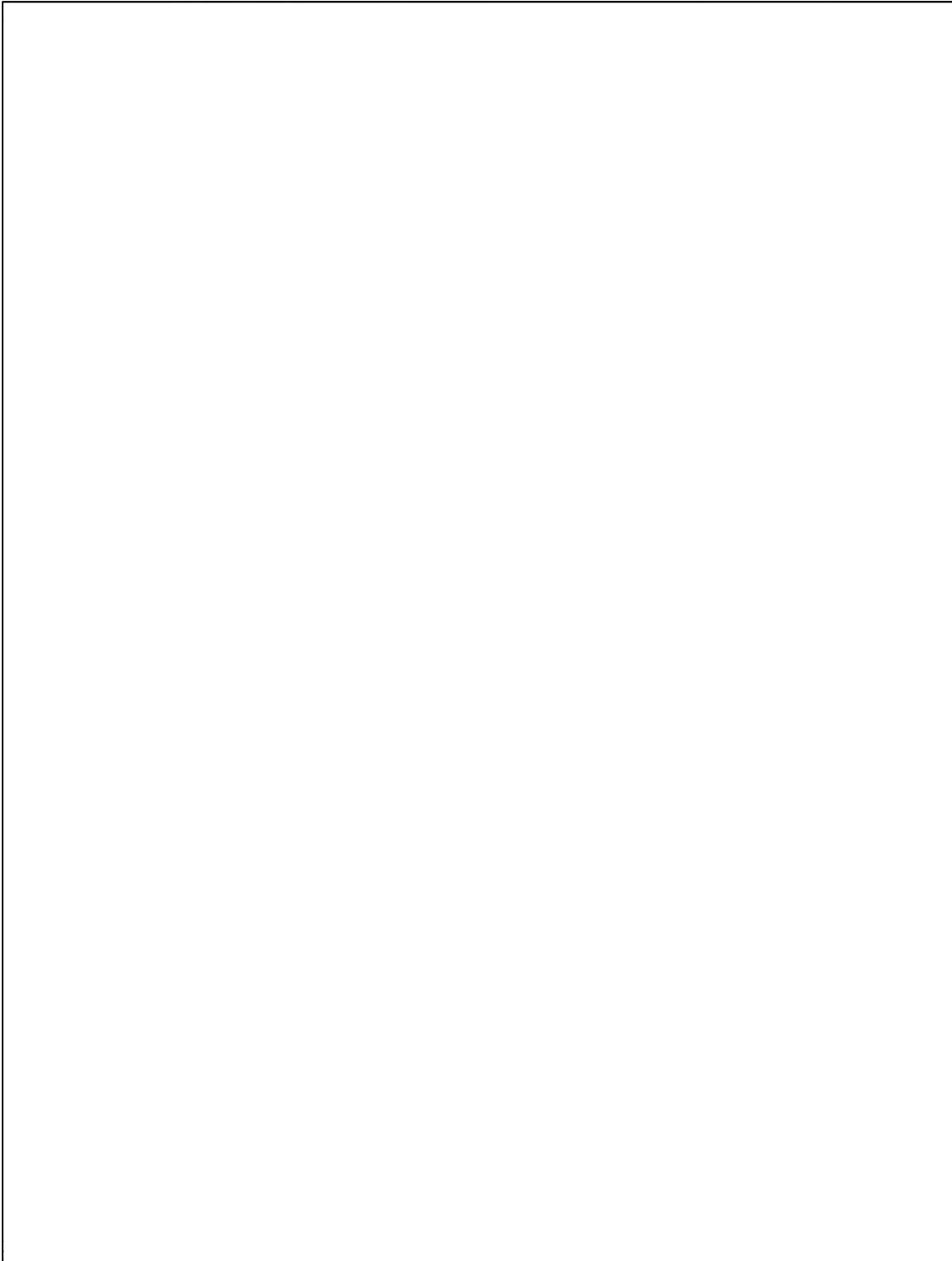
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